

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Elkton	County Huron
Fiscal Year End 2-28-06	Opinion Date 4-26-06	Date Audit Report Submitted to State 6-14-06	

We affirm that:

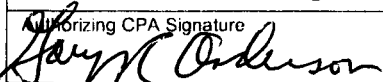
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☒ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.		Telephone Number 989-673-3137	
Street Address 715 East Frank St. Caro, Michigan 48723-1623		City	State Zip
Authorizing CPA Signature 	Printed Name GARY R. ANDERSON		License Number 1101005446

VILLAGE OF ELKTON

REPORT ON FINANCIAL STATEMENTS
(With Additional Information)

February 28, 2006

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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April 26, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Village Council
Village of Elkton
Elkton, Michigan 48731

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Elkton, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Elkton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Elkton, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended and interpreted, as of February 28, 2006.

The management's discussion and analysis and budgetary comparison information on pages I through VII and 21 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Elkton's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The combining and individual nonmajor fund financial statements, and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the Village of Elkton's financial performance provides an overview of the Village's financial activities for the fiscal year ended February 28, 2006. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended February 28, 2006:

- The fund balance in the General Fund increased from \$585,852 to \$638,328
- State-shared revenue, the Village's second largest General Fund revenue source, was reduced by the State of Michigan by \$1,133 representing a 1% decrease from the prior fiscal year. However, the \$100,476 received from the State of Michigan was below the budgeted projection by \$1002.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 1,348,849	\$235,572	\$1,584,421
Noncurrent assets	813,226	1,634,265	2,447,491
Total assets	<u>2,162,075</u>	<u>1,869,837</u>	<u>4,031,912</u>
Current liabilities	226,557	266,999	493,556
Long-term liabilities	27,245	730,000	757,245
Total liabilities	<u>253,802</u>	<u>996,999</u>	<u>1,250,801</u>
Net assets:			
Invested in capital assets -			
Net of related debt		121,553	121,553
Contributed capital		46,731	46,731
Restricted	57,565		57,565
Unrestricted		704,554	704,554
Fund Balance			
Undesignated	936,747		936,747
Designated	913,961		913,961
Total net assets	<u>\$ 1,908,273</u>	<u>\$ 872,838</u>	<u>\$ 2,781,111</u>

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations ended the fiscal year with a balance of \$936,747 in the governmental activities.

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The Village as a Whole

The following table shows, in a condensed format, the net assets as of 02/28/05 were:

	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 1,076,200	\$216,588	\$1,292,788
Noncurrent assets	835,015	1,549,951	2,384,966
Total assets	1,911,215	1,766,539	3,677,754
Current liabilities	98,227	133,031	231,308
Long-term liabilities	20,202	765,000	785,202
Total liabilities	118,479	898,031	1,016,510
Net assets:			
Invested in capital assets -			
Net of related debt		133,271	133,271
Contributed capital		33,227	33,227
Restricted	41,349		41,349
Unrestricted		702,010	702,010
Fund Balance			
Undesignated	850,744		850,744
Designated	900,643		900,643
Total net assets	\$ 1,792,736	\$ 868,508	\$ 2,661,244

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes of the net assets during the current year:

	Governmental Activities	Business-Type Activities	Total
Net Assets - Beginning of year - (as adjusted)	\$ 1,792,736	\$ 702,010	\$ 2,494,746
Revenue			
Program revenue:			
Charges for services	76,586	236,938	313,524
Operating grants and contributions			
General revenue:			
Property taxes	379,757		379,757
Intergovernmental revenue	160,722		160,722
Investment earnings	3,710	1,445	5,155
Miscellaneous	53,303	26,496	79,799
Net transfers	10,000	(10,000)	0
Sale of Lots	4,500		4,500
Total revenue	688,578	254,879	943,457
Program Expenses			
General government	173,154		173,154
Road maintenance and repair	54,904		54,904
Public safety	129,311		129,311
Public works	137,197		137,197
Culture and recreation	29,842		29,842
Ambulance		104,880	104,880
Water & sewer		147,455	147,455
Depreciation	47,391		47,391
Interest on long-term debt			
Total expenses	571,799	252,335	824,134
Change in Net Assets	116,779	2,544	119,323
Add beginning balance – Cemetery Fund	25,156		25,156
Correction to beginning fixed assets	(26,398)		(26,398)
Net Assets - End of Year	\$ 1,908,273	\$ 704,554	\$ 2,612,827

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes of the net assets for the year ended 02/28/05:

	Governmental Activities	Business-Type Activities	Total
Net Assets - Beginning of year - (as adjusted)	\$ 1,673,818	\$ 512,169	\$ 2,185,987
Revenue			
Program revenue:			
Charges for services	66,820	165,107	231,927
Operating grants and contributions			
General revenue:			
Property taxes	337,983		337,983
Intergovernmental revenue	175,322		175,322
Investment earnings	1,978	1,142	3,120
Miscellaneous	35,500	46,521	82,021
Net transfers	10,000	(10,000)	0
Total revenue	627,603	202,770	830,373
Program Expenses			
General government	188,077		188,077
Road maintenance and repair	9,979		9,979
Public safety	118,752		118,752
Public works	117,484		117,484
Culture and recreation	29,990		29,990
Ambulance		84,067	84,067
Water & sewer		60,629	60,629
Depreciation	44,403	15,448	59,851
Interest on long-term debt		4,285	4,285
Total expenses	508,685	164,429	673,114
Change in Net Assets	118,918	38,341	157,259
Cost of land not recorded properly		151,500	151,500
Net Assets - End of Year	\$ 1,792,736	\$ 702,010	\$ 2,494,746

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

Business-type Activities

The Village's business-type activities consist of the Water and Sewer Funds and the Ambulance Fund. The Village provides water to residents from ground water wells. Sewage treatment is provided through a Village-owned and operated sewage treatment plant. The Village operated an Ambulance Service for residents in the local area and receives subsidies from four adjoining townships.

The Water and Sewer Fund had a net loss of \$2,778, and its cash flow decreased by over \$94,731. Revenues for the fund were down about 8 %. The Ambulance Fund had net income of \$5,322, and its cash flow increased by over \$3,731.

The Village's Funds

Our analysis of the Village's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for the current year include the General, Major Street and Trunkline, Local Street and Refuse Funds.

The General Fund pays for most of the Village's governmental services. The most significant are Administration, Police Department, and Public Works, which incurred expenses of approximately \$362,182 in the current fiscal year. These costs and the remaining \$100,279 cost of the other General Fund departments are funded by real and personal property taxes and other general revenue sources of the General Fund.

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

Overall, revenues in the General Fund fell short of budget by \$5,770.

Village departmental expenses in the General Fund overall spent more than budget projections by \$521.

Capital Asset and Debt Administration

As of February 28, 2006, the Village had a total of approximately \$2,447,491 (net of depreciation) invested in a broad range of capital assets, including roads, buildings, equipment, and water and sewer lines.

Debt service makes up approximately 5% of the total governmental expenditures

More detailed information concerning capital assets and long-term debt can be found in Notes 8 and 11, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In preparing 2006-2007 budget, the village expects similar activity levels to 2005-2006. State shared revenues have been consistently declining in recent years, and this trend is expected to continue. Other revenues are expected to be consistent with the 2005-2006 fiscal year.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the village's office.

BASIC FINANCIAL STATEMENTS

VILLAGE OF ELKTON
STATEMENT OF NET ASSETS
February 28, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash	\$ 999,671	\$ 89,909	\$ 1,089,580
Accounts receivable	8,504	9,074	17,578
Due from other funds	312,526	136,589	449,115
Due from other units	28,148		28,148
Total current assets	1,348,849	235,572	1,584,421
Noncurrent assets:			
Capital assets, net of depreciation	813,226	1,634,265	2,447,491
TOTAL ASSETS	\$ 2,162,075	\$ 1,869,837	\$ 4,031,912
<u>LIABILITIES</u>			
Current liabilities:			
Customer deposits payable		\$ 7,967	\$ 7,967
Current maturities on long-term debt		35,000	35,000
Due to other funds	\$ 225,083	224,032	449,115
Due to other units	1,474		1,474
Total current liabilities	226,557	266,999	493,556
Noncurrent liabilities:			
Noncurrent portion of long-term debt		730,000	730,000
Accumulated compensated absences	27,245		27,245
Total noncurrent liabilities	27,245	730,000	757,245
TOTAL LIABILITIES	253,802	996,999	1,250,801
NET ASSETS			
Contributions in aid of construction		121,553	121,553
Contributed capital		46,731	46,731
Restricted for:			
Capital projects	57,565		57,565
Unrestricted		704,554	704,554
Fund balance:			
Undesignated	936,747		936,747
Designated	913,961		913,961
TOTAL NET ASSETS	1,908,273	872,838	2,781,111
TOTAL LIABILITIES AND NET ASSETS	\$ 2,162,075	\$ 1,869,837	\$ 4,031,912

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF ELKTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues		
		Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 173,154	\$ 26,623		\$ (146,531)	-	\$ (146,531)
Road maintenance and repair	54,904			(54,904)	-	(54,904)
Public safety	129,311	49,963		(79,348)	-	(79,348)
Public works	137,197			(137,197)	-	(137,197)
Culture and recreation	29,842			(29,842)	-	(29,842)
Depreciation	47,391			(47,391)	-	(47,391)
Total governmental activities	571,799	76,586	-	(495,213)	-	(495,213)
Business-type activities:						
Ambulance	104,880	91,685			\$ (13,195)	(13,195)
Water & sewer	147,455	145,253			(2,202)	(2,202)
Total primary government	\$824,134	\$ 313,524	-	\$ (495,213)	(15,397)	(510,610)

General revenues:

Taxes:

Property taxes, levied for general purposes	\$ 307,947		\$ 307,947
Property taxes, levied for streets and sanitation purposes	71,810		71,810
Intergovernmental revenue	160,722		160,722
Investment earnings	3,710	\$ 1,445	5,155
Miscellaneous	53,303	26,496	79,799
Sale of Lots	4,500		4,500
Net transfers	10,000	(10,000)	-
Total general revenues and transfers	611,992	17,941	629,933
Change in net assets	116,779	2,544	119,323
Net assets - beginning	1,792,736	702,010	2,494,746
Add beginning balance - Cemetery Fund	25,156		25,156
Correction to beginning fixed assets	(26,398)		(26,398)
Net assets - ending	\$ 1,908,273	\$ 704,554	\$ 2,612,827

The accompanying footnotes are an integral part of the financial statements

VILLAGE OF ELKTON
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2006

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash	\$ 419,193	\$ 139,536	\$ 264,897	\$ 118,480	\$ 942,106
Accounts receivable	8,504				8,504
Due from other funds	298,026		5,000	9,500	312,526
Due from other units	17,277	8,009	2,862		28,148
TOTAL ASSETS	<u>\$ 743,000</u>	<u>\$ 147,545</u>	<u>\$ 272,759</u>	<u>\$ 127,980</u>	<u>\$ 1,291,284</u>
<u>LIABILITIES & FUND BALANCES</u>					
Liabilities:					
Accounts payable					
Customer deposits payable					
Due to other funds	\$ 103,198	\$ 67,779	\$ 54,106		\$ 225,083
Due to other units	1,474				1,474
Total Liabilities	<u>104,672</u>	<u>67,779</u>	<u>54,106</u>	<u>-</u>	<u>226,557</u>
Fund equity:					
Contributed capital					
Contributions in aid of construction					
Retained earnings:					
Reserved					
Unreserved					
Fund balance:					
Undesignated	638,328	79,766	218,653		936,747
Designated				127,980	127,980
Total Fund Equity	<u>638,328</u>	<u>79,766</u>	<u>218,653</u>	<u>127,980</u>	<u>1,064,727</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 743,000</u>	<u>\$ 147,545</u>	<u>\$ 272,759</u>	<u>\$ 127,980</u>	<u>\$ 1,291,284</u>

VILLAGE OF ELKTON
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET and
STATEMENT OF NET ASSETS
February 28, 2006

	Modified Accrual Basis	Reconciling Items			Full Accrual Basis
	TOTAL GOVERNMENTAL FUNDS	CAPITAL ASSETS & LONG TERM DEBT	COMPENSATED ABSENCES	INTERNAL SERVICE FUNDS	TOTAL
<u>ASSETS</u>					
Cash	\$ 942,106			\$ 57,565	\$ 999,671
Accounts receivable	8,504				8,504
Prepaid expenses					-
Due from other funds	312,526				312,526
Due from other units	28,148				28,148
Total Current Assets	1,291,284	-	-	57,565	1,348,849
Construction in progress					-
Capital assets:					
Land					-
Depreciable capital assets		\$ 1,609,032			1,609,032
Less: Accumulated Depreciation		(795,806)			(795,806)
Total Non-Current Assets	-	813,226	-	-	813,226
TOTAL ASSETS	\$ 1,291,284	\$ 813,226	\$ -	\$ 57,565	\$ 2,162,075
<u>LIABILITIES & FUND BALANCES</u>					
Liabilities:					
Accounts payable					\$ -
Accrued salaries & wages					-
Accrued interest payable					-
Due to other funds	\$ 225,083			\$ -	225,083
Due to other units	1,474				1,474
Deferred revenue					-
Accumulated compensated absences			\$ 27,245		27,245
Total Liabilities	226,557	-	27,245	-	253,802
Fund Balances:					
Contributed capital					
Reserved for:					
Capital projects				57,565	57,565
Fund balance:					
Undesignated	936,747				936,747
Designated	127,980	813,226	(27,245)		913,961
Total Fund Balances/Net Assets	1,064,727	813,226	(27,245)	57,565	1,908,273
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,291,284	\$ 813,226	\$ -	\$ 57,565	\$ 2,162,075

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF ELKTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL UNITS
FOR THE YEAR ENDED FEBRUARY 28, 2006

					TOTALS (MEMORANDUM ONLY)
	GENERAL	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENTAL FUNDS	PRIMARY GOVERNMENT
REVENUES:					
Taxes	\$ 307,947		\$ 71,810		\$ 379,757
Intergovernmental revenue:					-
Gas & weight tax		\$ 44,384	15,862		60,246
State	100,476				100,476
Charges for services	68,768				68,768
Police	7,818				7,818
*Miscellaneous	44,928	2,537	5,838	\$ 6,994	60,297
TOTAL REVENUE	529,937	46,921	93,510	6,994	677,362
EXPENDITURES:					
Legislative	95,674				95,674
Elections	638				638
Village buildings & grounds	24,303				24,303
Police department	129,311				129,311
Cemetery	10,662				10,662
Public works department	137,197				137,197
Recreation department	29,842				29,842
Equipment department	34,834				34,834
Streets		23,881	83,023		106,904
Miscellaneous					-
TOTAL EXPENDITURES	462,461	23,881	83,023	-	569,365
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	67,476	23,040	10,487	6,994	107,997
OTHER FINANCING SOURCES (USES):					
Operating transfers in		-	10,300	10,000	20,300
Operating transfers out	(15,000)	(10,300)			(25,300)
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	(10,300)	10,300	10,000	(5,000)
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	52,476	12,740	20,787	16,994	102,997
FUND BALANCE - March 1	585,852	67,026	197,866	110,986	961,730
FUND BALANCE - February 28	\$ 638,328	\$ 79,766	\$ 218,653	\$ 127,980	\$ 1,064,727

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF ELKTON
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2006

Net change in fund balances - total governmental funds	\$ 102,997
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their useful lives as depreciation expense	
Depreciation expense	(47,391)
Capital outlay	52,000
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued absences at the beginning of the year	20,202
Accrued absences at the end of the year	(27,245)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, motor pool, central services, and retirees health care, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	
	<u>16,216</u>
Change in net assets of governmental activities	<u><u>\$ 116,779</u></u>

The accompanying footnotes are an integral part of the financial statements

VILLAGE OF ELKTON, MICHIGAN
PROPRIETARY FUND TYPE
COMBINING BALANCE SHEET
February 28, 2006

	<u>ENTERPRISE</u>			<u>TOTALS</u>	
	<u>AMBULANCE FUND</u>	<u>WATER AND SEWER FUND</u>	<u>EQUIPMENT</u>	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>					
Cash	\$ 38,488	\$ 51,421	\$ 57,565	\$ 147,474	\$ 222,434
Accounts receivable - net	9,074			9,074	16,301
Due from other funds	98,698	37,891	-	136,589	19,378
Fixed assets	105,040	2,401,606		2,506,646	2,377,120
Less accumulated depreciation & amortization	(81,524)	(790,857)		(872,381)	(827,169)
TOTAL ASSETS	<u>\$ 169,776</u>	<u>\$ 1,700,061</u>	<u>\$ 57,565</u>	<u>\$ 1,927,402</u>	<u>\$ 1,808,064</u>
<u>LIABILITIES & NET ASSETS</u>					
Liabilities:					
Accounts payable					
Bonds payable		\$ 765,000		\$ 765,000	\$ 800,000
Due to other funds	\$ 61,746	162,286		224,032	90,690
Customer deposits payable		7,967		7,967	7,517
Total Liabilities	61,746	935,253	-	996,999	98,207
Net Assets:					
Contributed capital	46,731			46,731	33,227
Contributions in aid of construction		121,553		121,553	133,271
Net Assets:					
Reserved for specific purpose				-	-
Unreserved	61,299	643,255	\$ 57,565	762,119	743,359
Total Net Assets	108,030	764,808	57,565	930,403	909,857
TOTAL LIABILITIES & NET ASSETS	<u>\$ 169,776</u>	<u>\$ 1,700,061</u>	<u>\$ 57,565</u>	<u>\$ 1,927,402</u>	<u>\$ 1,808,064</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
WATER & SEWER FUND
STATEMENT OF CHANGES IN CONTRIBUTIONS IN
AID OF CONSTRUCTION
FOR THE YEAR ENDED FEBRUARY 28, 2006

	YEAR ENDED	
	<u>2006</u>	<u>2005</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION - MARCH 1	\$ 133,271	\$ 144,989
LESS: Depreciation of fixed assets acquired from contributions in aid of construction	<u>(11,718)</u>	<u>(11,718)</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION - FEBRUARY 28	<u><u>\$ 121,553</u></u>	<u><u>\$ 133,271</u></u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
PROPRIETARY FUND TYPE
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS
YEAR ENDED FEBRUARY 28, 2006

	ENTERPRISE			TOTALS	
	AMBULANCE FUND	WATER AND SEWER FUND	EQUIPMENT	2006	2005
OPERATING REVENUE:					
Ambulance calls	\$ 91,685			\$ 91,685	\$ 69,977
Water & sewer system sales		\$ 100,263		100,263	95,130
Other services, charges & sales	17,363	6,411		23,774	79,349
Special Assessments Received		44,990		44,990	
Interest & penalties		2,722		2,722	2,360
TOTAL OPERATING REVENUE	109,048	154,386	-	263,434	246,816
OPERATING EXPENSES:					
Salaries & wages	28,445	15,166		43,611	37,670
Employee benefits	5,410	8,796		14,206	12,462
Operating supplies	5,246	4,678		9,924	10,706
General fund administrative fee	1,000	3,000		4,000	4,000
Professional fees	8,751	11,853		20,604	8,348
Contracted services	-	1,452		1,452	1,332
Telephone	371	541		912	933
Insurance	4,661	8,398		13,059	9,756
Heat, light & power	-	8,256		8,256	7,884
Repairs & maintenance	3,764	20,742		24,506	12,135
Equipment rental	-	5,538		5,538	3,425
Dues & subscriptions	-	450		450	415
Advertising	101	-		101	42
Bond interest	-	14,579		14,579	4,285
Depreciation	8,756	32,148		40,904	25,723
Education & training	812	28		840	1,102
Capital outlay	-	3,965	-	3,965	52,309
Contractual write-off	-	-		-	-
Miscellaneous	37,563	7,865		45,428	21,852
TOTAL OPERATING EXPENSES	104,880	147,455	-	252,335	214,379
OPERATING INCOME (LOSS)	4,168	6,931	-	11,099	32,437
NON-OPERATING REVENUE (EXPENSES)					
Interest earned	1,154	291	1,216	2,661	1,142
TOTAL NON-OPERATING REVENUE (EXPENSES)	1,154	291	1,216	2,661	1,142
INCOME (LOSS) BEFORE OPERATING TRANSFERS IN (OUT)	5,322	7,222	1,216	13,760	33,579
OPERATING TRANSFERS IN (OUT)	-	(10,000)	15,000	5,000	(10,000)
NET INCOME (LOSS)	5,322	(2,778)	16,216	18,760	23,579
NET ASSETS - MARCH 1	55,977	646,033	41,349	743,359	568,280
COST OF LAND NOT RECORDED				-	151,500
NET ASSETS - FEBRUARY 28	\$ 61,299	\$ 643,255	\$ 57,565	\$ 762,119	\$ 743,359

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2006

	<u>AMBULANCE FUND</u>	<u>WATER AND SEWER FUND</u>	<u>TOTALS</u>	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	\$ 5,322	\$ (2,778)	\$ 2,544	\$ 38,341	
ADJUSTMENT TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:					
Depreciation and Amortization	8,756	32,148	40,904	25,723	
CHANGE IN CURRENT ASSETS AND LIABILITIES:					
(Increase) decrease in accounts receivable	7,227		7,227	961	
(Increase) decrease in due from other funds	(79,320)	(37,891)	(117,211)	(12,686)	
Increase (decrease) in accounts payable		(35,000)	(35,000)	800,000	
Increase (decrease) in due to other funds	61,746	71,772	133,518	(25,706)	
Increase (decrease) in customer deposits payable		450	450	1,125	
Purchase of fixed assets		(123,432)	(123,432)	(680,790)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,731</u>	<u>(94,731)</u>	<u>(91,000)</u>	<u>146,968</u>	
NET INCREASE IN CASH & CASH EQUIVALENTS	3,731	(94,731)	(91,000)	146,968	
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>34,757</u>	<u>146,152</u>	<u>180,909</u>	<u>33,941</u>	
CASH & CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 38,488</u></u>	<u><u>\$ 51,421</u></u>	<u><u>\$ 89,909</u></u>	<u><u>\$ 180,909</u></u>	

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Elkton (the Village) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Elkton.

Effective March 1, 2004, the Village implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements include the following:

A Management Discussion & Analysis (MD&A) section providing an analysis of the Village’s overall financial position and results of operations has been included in the financial statements.

Financial statements prepared using full accrual accounting for all of the Village’s activities, including infrastructure (roads, etc.).

A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES:

The Village of Elkton was organized in 1897 as a general law village with a fiscal year of March 1 through February 29. The Village operates under a Mayor-Council form of government. The Village provides various services to its residents including law enforcement, fire protection, community enrichment and human services. The Village provides ambulance service for the Village and the surrounding area. The Village contracts this service to other local units of government using the name Elkton Ambulance Service. The ambulance activity is reported in the Village financial statements as an Enterprise fund named Ambulance Fund.

REPORTING ENTITY:

In accordance with U.S. generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity”, these financial statements present the Village of Elkton (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The following is a description of the component units:

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Village of Elkton. There are six major funds reported on the government-wide financial statements.

The Statement of Net Assets presents the Village's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

GOVERNMENTAL FUNDS:

Governmental funds include the following fund types:

General Fund:

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general Village governmental departments, boards and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the Village.

Special Revenue Funds:

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Capital Projects Funds:

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

PROPRIETARY FUNDS:

Enterprise Funds:

These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds:

These funds account for the financing of goods and services provided by one department or agency to other department or agencies of the governmental unit, or to other governmental units on a cost reimbursement basis or for the purchase of delinquent real property taxes from local units of government.

BUDGETS AND BUDGETARY ACCOUNTING:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year-end. The budgeted revenues and expenditures for governmental fund types, include any authorized amendments to the original budget as adopted.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Village does not utilize encumbrance accounting.

CASH AND INVESTMENTS:

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorize the Village to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 50% of any fund at any time. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

RECEIVABLES:

Receivables consist primarily of amounts for intergovernmental revenue and customer charges. An allowance for doubtful accounts has been established in those funds where it was determined to be necessary. Credit risk is minimal because of the large number of customers and the authority of the Village to add receivables to the tax rolls that are secured by the underlying property.

RESTRICTED ASSETS:

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

CAPITAL ASSETS:

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, etc.) are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the Village of Elkton as assets with initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Any donated assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after February 29, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions GASB 34. The Village has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets.

DEPRECIATION:

Depreciation expense amounted to \$88,295 for the year ended February 28, 2006. Depreciation is computed using the straight-line method. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Land/Land Improvements	0 - 50
Buildings	10 - 50
Bridges	50
Meters	13 - 20
Storm/Sewer lines	30 - 67
Sidewalks/Trailways	30
Water lines	50
Source of Supply	6 - 50
Motor Vehicles & Related Equipment	3 - 10
Machinery & Equipment	5 - 20
Roads	5 - 20
Parking lots	20
Traffic Signals	15

COMPENSATED ABSENCES:

It is the Village's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Village's service. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees. A liability has been recorded in the Statement of Net Assets.

FUND EQUITY:

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Contributed capital currently exists only in the enterprise funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use within the Village. In order to more accurately reflect the equity remaining in these contributions, the contributions are being amortized over the useful life of the assets they aided in constructing or purchasing.

PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of July 1. Taxes are levied on July 1 and are due in September. The Village bills and collects its own property taxes. Village tax revenues are recognized in the year of levy.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

INTERFUND TRANSACTIONS:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

MEMORANDUM ONLY - TOTAL COLUMNS:

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with U.S generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purposes.

ESTIMATES:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - PENSION PLANS/DEFERRED COMPENSATION PLAN:

DEFINED BENEFIT PENSION PLAN:

All Village of Elkton full-time employees participate in the Municipal Employees Retirement System ("System"), a multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended December 31, 2005 was \$95,989.

All full-time employees are eligible to participate in the System. Employees who retire at or after age 60 with 10 years of credited service are entitle to a retirement benefit, payable monthly for life, equal to 1% of their final-average salary for each year of credited service up to 5 years. Final-average salary is the employee's salary over the last five years of credited service. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute. Retirees will receive annual adjustments of 2% effective January 1, 2004 under the MERS Benefit Program E.

Covered employees are required by State statute to contribute 3% of their salary, up to \$4,200, and 5% thereafter, to the plan. The Village is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended December 31, 2005 was \$4,540, the entirety of which was from the employees.

GASB 25 AND GASB 27 INFORMATION

The following information has been prepared by the Segal Company (Actuaries) to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1998.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 2 - PENSION PLANS/DEFERRED COMPENSATION PLAN(Continued):

DEFINED BENEFIT PENSION PLAN(Continued):

GASB 25 INFORMATION (as of 12/31/04)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$208,569
Terminated employees not yet receiving benefits	93,175
Current employees-	
Accumulated employee contributions including allocated investment income	66,704
Employer financed	<u>93,378</u>
Total Actuarial Accrued Liability	<u>461,826</u>
Net Assets Available for Benefits at Actuarial Value	<u>453,870</u>
(Market Value is \$443,032)	
Underfunded (Overfunded) Actuarial Accrued Liability	7,956

GASB 27 INFORMATION (as of 12/31/04)

Fiscal Year Beginning	March 1, 2006
Annual Required Contribution (ARC)	\$ 9,720
Amortization Factor Used	0.119963

DEFINED CONTRIBUTION PENSION PLAN:

On February 12, 2002 the Village council adopted a 401A Defined Contribution Plan ("Plan") for the Village employees that was effective September 20, 2002. At February 28, 2006, there were three plan members. Plan members are required to contribute 5% of covered salary. The Village is required to contribute 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Village Council.

BASIS OF ACCOUNTING

The financial statements of the 401A Defined Contribution Plan for the Village of Elkton are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

VALUATION OF INVESTMENTS

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Mutual fund investments of \$82,848 were held at December 31, 2005.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 3 - SEGMENT INFORMATION:

The Village maintains two enterprise funds that provide ambulance and water and sewer services. Segment information for the year ended February 28, 2006, is as follows:

	<u>AMBULANCE</u>	<u>WATER & SEWER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
Operating revenue	\$109,047	\$154,386	\$218,443
Depreciation & Amortization expense	8,756	32,148	40,904
Operating income (loss)	4,168	6,932	11,100
Net income	5,322	(2,777)	2,545
Property, plant & equipment:			
Additions			
Net working capital (deficit)	84,514	(80,941)	3,573
Total identifiable assets	169,776	1,700,061	1,869,837
Total equity	108,030	764,809	872,839

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	\$ 298,026	General	\$103,198
Special Revenue	5,000	Special Revenue	121,885
Capital Projects	5,000	Enterprise	224,031
Enterprise	136,588	Equipment	-
Perpetual Care	<u>4,500</u>		
TOTAL	<u>\$ 449,114</u>		<u>\$ 449,114</u>

NOTE 5 – INTERFUND TRANSFERS:

Interfund transfers for the year ended February 28, 2006, consisted of the following amounts:

		TRANSFERS FROM							
TRANSFERS TO		<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Water & Sewer</u>	<u>Capital Project</u>	<u>Lagoon</u>	<u>Equip-ment</u>	<u>Total</u>
	General Fund								
	Major Streets								
	Local Streets		\$10,300						\$10,300
	Water & Sewer								-
	Capital Project								
	Lagoon				\$10,000				\$10,000
	Equipment	\$15,000							\$15,000
	Total	<u>\$15,000</u>	<u>\$10,300</u>		<u>\$10,000</u>				<u>\$35,300</u>

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

NOTE 6 - CASH:

DEPOSITS:

At year-end, the carrying amount of the Village's deposits was \$1,089,580 and the bank balance was \$1,095,540. Of the bank balance, \$403,893 was covered by federal depository insurance with the remaining balance uninsured and uncollateralized.

NOTE 7 - CONTRIBUTED CAPITAL AND CONTRIBUTIONS IN AID OF CONSTRUCTION:

Contributed capital currently exists only in the Enterprise Funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use or still in construction within the Village. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues is closed to contributed capital and contributions in aid of construction rather than retained earnings.

NOTE 8 - CAPITAL ASSET SUMMARY:

A summary of proprietary fund type and governmental activities property, plant, and equipment at February 28, 2006 is as follows:

	<u>AMBULANCE FUND</u>	<u>WATER & SEWER FUND</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL</u>
Land		\$ 208,304		\$ 208,304
Buildings			\$ 459,000	459,000
Police			72,416	72,416
DPW			243,705	243,705
Parks			55,000	55,000
Major & Local Streets			753,511	753,511
Equipment	\$ 28,650		25,400	54,050
Ambulance	76,390			76,390
Sewer line		623,694		623,694
Water line		1,228,057		1,228,057
Water tower		122,045		122,045
Lagoon system	-	219,506	-	219,506
Total Costs	105,040	2,401,606	1,609,032	4,115,678
Less Accumulated Depreciation	<u>(81,524)</u>	<u>(790,857)</u>	<u>(795,806)</u>	<u>(1,668,187)</u>
Net Carrying Amount	<u>\$23,516</u>	<u>\$1,610,749</u>	<u>\$ 813,226</u>	<u>\$2,447,491</u>

All depreciation is computed using the straight-line method.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 9 - LEGAL COMPLIANCE - BUDGETS:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to February 29 of each year, a proposed budget is submitted to the Council for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, debt service fund and special revenue funds.
6. Budgets for general, special revenue and debt service funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Village Council during the fiscal year. Individual amendments were not material in relation to the original appropriations that were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 10 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.

NOTE 11 - LONG TERM DEBT:

The Village issues bonds to provide funds for the acquisition, construction and improvements of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Long-term obligations currently outstanding are as follows:

2004 Drinking Water Revolving Bonds (face amount \$835,000) with annual installment payments ranging from \$35,000 - \$50,000 with interest at 2.125%.	<u>\$765,000</u>
Total bonded debt	\$765,000
Accumulated compensated absences	<u>27,245</u>
Total long-term debt	<u>\$792,245</u>

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 11 - LONG-TERM DEBT (Continued):

The annual requirements to amortize long-term debt outstanding as of February 2006 are as follows:

<u>YEAR ENDED</u> <u>FEBRUARY 28,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	\$35,000	\$16,256	\$51,256
2008	35,000	15,512	50,513
2009	35,000	14,768	49,768
2010	40,000	13,920	53,919
2011	40,000	13,068	53,068
2012	40,000	12,430	52,430
2013	40,000	11,582	51,582
2014	40,000	10,730	50,730
2015	40,000	9,882	49,882
2016	45,000	8,924	53,924
2017	45,000	7,968	52,968
2018	45,000	7,014	52,014
2019	45,000	6,056	51,056
2020	45,000	5,100	50,100
2021	45,000	4,142	49,142
2022	50,000	3,188	53,188
2023	50,000	2,126	52,126
2024	50,000	1,062	51,062
Total	\$765,000	\$ 163,728	\$928,728
Compensated Absences	27,245		27,245
TOTAL	<u>\$792,245</u>	<u>\$ 163,728</u>	<u>\$955,973</u>

NOTE 12 – BEGINNING NET ASSETS:

For the governmental activities, the beginning net assets was decreased by \$26,398, due to a correction in the fixed assets that were reported last year.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	BUDGET			VARIANCE - FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Taxes	\$ 305,526	\$ 314,779	\$ 307,947	\$ (6,832)
Intergovernmental	100,000	101,478	100,476	(1,002)
Charges for services	67,336	69,175	68,768	(407)
Police	7,300	7,646	7,818	172
Miscellaneous	25,813	42,629	44,928	2,299
TOTAL REVENUES	505,975	535,707	529,937	(5,770)
EXPENDITURES:				
Election	850	638	638	-
Administration	105,826	96,153	95,674	479
Cemetery	11,452	10,662	10,662	-
Village buildings and grounds	29,380	24,303	24,303	-
Police	132,717	128,311	129,311	(1,000)
Public works	127,724	137,197	137,197	-
Recreation	57,075	29,842	29,842	-
Equipment	46,119	34,834	34,834	-
TOTAL EXPENDITURES	511,143	461,940	462,461	(521)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(5,168)	73,767	67,476	(6,291)
OTHER FINANCING SOURCES (USES):				
Transfers in				-
Transfers out		(15,000)	(15,000)	-
TOTAL OTHER FINANCING SOURCES (USES):	-	(15,000)	(15,000)	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,168)	58,767	52,476	(6,291)
FUND BALANCE - MARCH 1	585,852	585,852	585,852	-
FUND BALANCE - FEBRUARY 28	\$ 580,684	\$ 644,619	\$ 638,328	\$ (6,291)

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	BUDGET		ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Intergovernmental revenue:				
Gas & weight tax	\$ 45,000	\$ 44,286	\$ 44,384	\$ 98
Interest and other	1,900	2,537	2,537	-
TOTAL REVENUE	46,900	46,823	46,921	98
EXPENDITURES:				
Routine maintenance	6,970	8,333	8,333	-
Traffic services	2,316	1,780	1,780	-
Snow & ice controls	7,212	7,481	7,481	-
Administrative	5,566	7,447	6,287	1,160
TOTAL EXPENDITURES	22,064	25,041	23,881	1,160
OTHER FINANCING SOURCES (USES):				
Operating transfers in		-	-	-
Operating transfers out	(10,500)	(10,300)	(10,300)	-
	(10,500)	(10,300)	(10,300)	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	14,336	11,482	12,740	1,258
FUND BALANCE - MARCH 1	67,026	67,026	67,026	-
FUND BALANCE - FEBRUARY 28	\$ 81,362	\$ 78,508	\$ 79,766	\$ 1,258

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Tax levy	\$59,000	\$ 71,810	\$ 71,810	\$ -
Intergovernmental revenue:				
Gas & weight tax	16,000	15,827	15,862	35
Interest and other	750	5,836	5,838	2
TOTAL REVENUE	75,750	93,473	93,510	37
EXPENDITURES:				
Construction	65,000	59,520	59,520	-
Routine maintenance	10,260	11,019	11,019	-
Traffic maintenance	508	813	928	(115)
Snow & ice controls	6,660	3,842	5,139	(1,297)
Administrative	7,594	6,997	6,417	580
TOTAL EXPENDITURES	90,022	82,191	83,023	(832)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(14,272)	11,282	10,487	(795)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	10,500	10,300	10,300	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	(3,772)	21,582	20,787	(795)
FUND BALANCE - MARCH 1	197,866	197,866	197,866	-
FUND BALANCE - FEBRUARY 28	\$ 194,094	\$ 219,448	\$ 218,653	\$ (795)

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
AMBULANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Ambulance calls	\$ 71,000	\$ 91,685	\$ 91,685	\$ -
Miscellaneous	16,861	17,361	17,363	2
TOTAL REVENUE	87,861	109,046	109,048	2
EXPENDITURES:				
Operating Expenses:				
Salaries & wages	25,500	28,445	28,445	-
Employee benefits	4,871	5,410	5,410	-
Operating supplies	6,430	5,246	5,246	-
General fund administrative fee	1,000	1,000	1,000	-
Professional fees	7,211	8,751	8,751	-
Telephone	300	371	371	-
Insurance	5,413	4,661	4,661	-
Repairs & maintenance	1,800	3,764	3,764	-
Advertising	150	101	101	-
Depreciation	-	-	8,756	(8,756)
Education & training	2,300	812	812	-
Capital outlay	700	-	-	-
Miscellaneous	22,200	19,798	37,563	(17,765)
Total Operating Expenses	77,875	78,359	104,880	(26,521)
OPERATING INCOME (LOSS)	9,986	30,687	4,168	(26,519)
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	500	1,154	1,154	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	500	1,154	1,154	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS IN (OUT)	10,486	31,841	5,322	(26,519)
OPERATING TRANSFERS IN (OUT)	-	-	-	-
NET INCOME (LOSS)	10,486	31,841	5,322	(26,519)
RETAINED EARNINGS - MARCH 1	55,977	55,977	55,977	-
RETAINED EARNINGS - FEBRUARY 28	\$ 66,463	\$ 87,818	\$ 61,299	(26,519)

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Water & sewer system sales	\$ 101,400	\$ 100,263	\$ 100,263	\$ -
Other services, charges & sales	5,100	6,136	6,411	275
Special Assessments	48,000	44,990	44,990	-
Interest & penalties	2,000	2,722	2,722	-
TOTAL REVENUE	156,500	154,111	154,386	275
EXPENDITURES:				
Operating Expenses:				
Salaries & wages	16,000	15,166	15,166	-
Employee benefits	9,280	8,796	8,796	-
Operating supplies	4,370	4,678	4,678	-
General fund administrative fee	3,000	3,000	3,000	-
Professional fees	6,500	11,853	11,853	-
Contracted services	1,452	1,452	1,452	-
Telephone	600	541	541	-
Insurance	11,427	8,398	8,398	-
Heat, light & power	8,000	8,256	8,256	-
Repairs & maintenance	16,000	20,742	20,742	-
Bond interest	-	7,237	14,579	(7,342)
Depreciation	-	-	32,148	(32,148)
Equipment rental	4,000	5,538	5,538	-
Dues & subscriptions	500	450	450	-
Education & training	500	169	28	141
Capital outlay	25,000	3,965	3,965	-
Miscellaneous	5,000	7,865	7,865	-
Total Operating Expenses	111,629	108,106	147,455	(39,349)
OPERATING INCOME (LOSS)	44,871	46,005	6,931	(39,074)
NON-OPERATING REVENUE (EXPENSES)				
Interest earned		291	291	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	100	291	291	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS IN (OUT)	44,971	46,296	7,222	(39,074)
OPERATING TRANSFERS IN (OUT)	(10,000)	(10,000)	(10,000)	-
NET INCOME (LOSS)	34,971	36,296	(2,778)	(39,074)
RETAINED EARNINGS - MARCH 1	646,033	646,033	646,033	-
RETAINED EARNINGS - FEBRUARY 28	\$ 681,004	\$ 682,329	\$ 643,255	\$ (39,074)

See the accompanying notes.

ADDITIONAL INFORMATION

VILLAGE OF ELKTON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
February 28, 2006

	<u>Capital Project</u>	<u>Perpetual Care</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 92,816	\$ 25,664	\$ 118,480
Due from other funds	5,000	4,500	9,500
TOTAL ASSETS	<u>\$ 97,816</u>	<u>\$ 30,164</u>	<u>\$ 127,980</u>
<u>LIABILITIES & FUND BALANCES</u>			
Liabilities:			
Due to other funds	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Reserved for:			
Debt service			-
Designated	\$ 97,816	\$ 30,164	\$ 127,980
Total Fund Balances	97,816	30,164	127,980
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 97,816</u>	<u>\$ 30,164</u>	<u>\$ 127,980</u>

See the accompanying notes.

VILLAGE OF ELKTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED FEBRUARY 28, 2006

	CAPITAL PROJECT FUND	Perpetual Care	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:			
Interest Income	\$ 1,986	\$ 508	\$ 2,494
Miscellaneous	-		-
Sale of Lots		4,500	4,500
TOTAL REVENUE	1,986	5,008	6,994
EXPENDITURES:			
Miscellaneous			
Debt Service:			
Principal			-
Interest			-
TOTAL EXPENDITURES	-		-
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	1,986	5,008	6,994
OTHER FINANCING SOURCES (USES):			
Operating transfers in	10,000		10,000
TOTAL OTHER FINANCING SOURCES (USES)	10,000		10,000
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	11,986	5,008	16,994
FUND BALANCE - MARCH 1	85,830	25,156	110,986
FUND BALANCE - FEBRUARY 29	\$ 97,816	\$ 30,164	\$ 127,980

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	2006			2005
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ACTUAL
REVENUES:				
Taxes	\$ 314,779	\$ 307,947	\$ (6,832)	\$ 291,502
Intergovernmental	101,478	100,476	(1,002)	101,609
Charges for services	69,175	68,768	(407)	57,915
Police	7,646	7,818	172	8,905
Miscellaneous	42,629	44,928	2,299	32,835
TOTAL REVENUES	535,707	529,937	5,770	492,766
EXPENDITURES:				
Election	638	638	-	616
Administration	96,153	95,674	479	91,922
Cemetery	10,662	10,662	-	13,223
Village buildings and grounds	24,303	24,303	-	30,580
Police	128,311	129,311	(1,000)	124,047
Public works	137,197	137,197	-	122,779
Recreation	29,842	29,842	-	29,990
Equipment	34,834	34,834	-	49,202
TOTAL EXPENDITURES	461,940	462,461	(521)	462,359
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES	73,767	67,476	(6,291)	30,407
OTHER FINANCING SOURCES (USES):				
Transfers in			-	
Transfers out	(15,000)	(15,000)	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES):	(15,000)	(15,000)	-	(20,000)
EXCESS OF REVENUE & OTHER SOURCES				
OVER (UNDER) EXPENDITURES AND				
OTHER USES	58,767	52,476	(6,291)	10,407
FUND BALANCE - MARCH 1	585,852	585,852	-	575,445
FUND BALANCE - FEBRUARY 28	\$ 644,619	\$ 638,328	\$ (6,291)	\$ 585,852

See the accompanying notes.

**VILLAGE OF ELKTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
YEAR ENDED FEBRUARY 28, 2006**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTALS</u>	<u>TOTALS</u>
			<u>2006</u>	<u>2005</u>
<u>ASSETS</u>				
Cash	\$ 139,536	\$ 264,897	\$ 404,433	\$ 321,984
Due from other funds		5,000	5,000	5,000
Due from other units	<u>8,009</u>	<u>2,862</u>	<u>10,871</u>	<u>10,738</u>
TOTAL ASSETS	<u>\$ 147,545</u>	<u>\$ 272,759</u>	<u>\$ 420,304</u>	<u>\$ 337,722</u>
 <u>LIABILITIES & FUND EQUITY</u>				
Liabilities:				
Due to other units	<u>\$ 67,779</u>	<u>\$ 54,106</u>	<u>\$ 121,885</u>	<u>\$ 72,830</u>
Fund equity:				
Fund balance:				
Undesignated	<u>79,766</u>	<u>218,653</u>	<u>298,419</u>	<u>264,892</u>
Total Fund Equity	<u>79,766</u>	<u>218,653</u>	<u>298,419</u>	<u>264,892</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 147,545</u>	<u>\$ 272,759</u>	<u>\$ 420,304</u>	<u>\$ 337,722</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
YEAR ENDED FEBRUARY 28, 2006

	MAJOR STREET	LOCAL STREET	TOTALS	
			2006	2005
REVENUE:				
Taxes		\$ 71,810	\$ 71,810	\$ 46,481
Intergovernmental revenue	\$ 44,384	15,862	60,246	73,713
Miscellaneous	2,537	5,838	8,375	2,665
TOTAL REVENUE	46,921	93,510	140,431	122,859
EXPENDITURES:				
Streets	17,594	76,606	94,200	24,605
Administration	6,287	6,417	12,704	14,496
TOTAL EXPENDITURES	23,881	83,023	106,904	39,101
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	23,040	10,487	33,527	83,758
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	10,300	10,300	30,500
Operating transfers out	(10,300)	-	(10,300)	(10,500)
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	12,740	20,787	33,527	103,758
FUND BALANCE - MARCH 1	67,026	197,866	264,892	16,134
FUND BALANCE - FEBRUARY 28	\$ 79,766	\$ 218,653	\$ 298,419	\$ 264,892

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental revenue:			
Gas & weight tax	\$ 44,286	\$ 44,384	\$ 98
Interest and other	<u>2,537</u>	<u>2,537</u>	<u>-</u>
TOTAL REVENUE	<u>46,823</u>	<u>46,921</u>	<u>98</u>
EXPENDITURES:			
Routine maintenance	8,333	8,333	-
Traffic services	1,780	1,780	-
Snow & ice controls	7,481	7,481	-
Administrative	<u>7,447</u>	<u>6,287</u>	<u>1,160</u>
TOTAL EXPENDITURES	25,041	23,881	1,160
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	(10,300)	(10,300)	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>11,482</u>	<u>12,740</u>	<u>(1,062)</u>
FUND BALANCE - MARCH 1	<u>67,026</u>	<u>67,026</u>	<u>-</u>
FUND BALANCE - FEBRUARY 28	<u><u>\$ 78,508</u></u>	<u><u>\$ 79,766</u></u>	<u><u>\$ 1,258</u></u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Tax levy	\$ 71,810	\$ 71,810	-
Intergovernmental revenue:			
Gas & weight tax	15,827	15,862	\$ 35
Interest and other	5,836	5,838	2
TOTAL REVENUE	<u>93,473</u>	<u>93,510</u>	<u>37</u>
EXPENDITURES:			
Construction	59,520	59,520	-
Routine maintenance	11,019	11,019	-
Traffic maintenance	813	928	(115)
Snow & ice controls	3,842	5,139	(1,297)
Administrative	6,997	6,417	580
TOTAL EXPENDITURES	<u>82,191</u>	<u>83,023</u>	<u>(832)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>11,282</u>	<u>10,487</u>	<u>(795)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	10,300	10,300	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>21,582</u>	<u>20,787</u>	<u>(795)</u>
FUND BALANCE - MARCH 1	<u>197,866</u>	<u>197,866</u>	<u>-</u>
FUND BALANCE - FEBRUARY 28	<u>\$ 219,448</u>	<u>\$ 218,653</u>	<u>\$ (795)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUE
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property tax	\$ 311,408	\$ 304,408	\$ (7,000)
Tax collection fees	3,371	3,539	168
Total Taxes	<u>314,779</u>	<u>307,947</u>	<u>(6,832)</u>
Intergovernmental Revenue:			
State of Michigan			
State revenue sharing	<u>101,478</u>	<u>100,476</u>	<u>(1,002)</u>
Total Intergovernmental Revenue	<u>101,478</u>	<u>100,476</u>	<u>(1,002)</u>
Charges For Services:			
Cemetery	4,050	4,050	-
Public Works	42,144	42,145	1
Equipment Department			
Major Street Fund	8,646	8,646	-
Local Street Fund	8,797	8,389	(408)
Water and Sewer Fund	<u>5,538</u>	<u>5,538</u>	<u>-</u>
Total Charges For Services	<u>69,175</u>	<u>68,768</u>	<u>(407)</u>
Police	<u>7,646</u>	<u>7,818</u>	<u>172</u>
Miscellaneous Revenue:			
Building and property rental	9,263	9,263	-
Interest income	13,770	13,770	-
Cable TV franchise fees	2,355	2,355	-
Sale of Assets	6,525	6,525	-
Fines	-	-	-
Administration fees	7,185	7,186	1
Refunds and other	<u>3,531</u>	<u>5,829</u>	<u>2,298</u>
Total Miscellaneous Revenue	<u>42,629</u>	<u>44,928</u>	<u>2,299</u>
TOTAL REVENUE	<u>\$ 535,707</u>	<u>\$ 529,937</u>	<u>\$ (5,770)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Election:			
Election salaries	\$ 380	\$ 380	-
Supplies	258	258	-
Total Election	638	638	-
Administrative:			
Salaries	37,136	37,136	-
Employees social security	19,020	19,020	-
BCBS employee insurance	66,944	66,833	\$ 111
Holiday pay	6,345	6,345	-
MERS fund contribution	8,936	8,481	455
MESC contribution	-	-	-
Employee benefits	16,832	16,832	-
Bereavement, Sick, Personal and Vacation pay	19,330	19,330	-
Fringe benefits	(109,144)	(109,144)	-
PO Box reimbursements	-	-	-
Postage	831	831	-
Office supplies	964	964	-
Printing	261	261	-
Operating supplies	1,953	2,978	(1,025)
Audit fee	4,750	4,750	-
Tax roll fees	652	653	(1)
Contracted services	1,025	-	1,025
Legal fees	1,270	1,270	-
Telephone	2,711	2,797	(86)
Training/Education	549	549	-
Mileage	245	245	-
Public relations	2,613	2,613	-
Publishing	1,241	1,241	-
Insurance & Bonds	5,432	5,432	-
Membership dues	1,023	1,023	-
Drug task donation	500	500	-
Miscellaneous	2,284	2,284	-
Capital outlay	2,450	2,450	-
Total Administration	96,153	95,674	479

(Continued)

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Village Buildings & Grounds:			
Salaries	\$ 4,472	\$ 4,472	\$ -
Employee benefits	2,594	2,594	-
Custodial supplies	359	359	-
Property rent - CSX R/R	524	524	-
Insurance	3,530	3,530	-
Contracted services	3,126	3,126	-
Repairs and maintenance	2,027	2,027	-
Electricity	3,445	3,445	-
Heat	3,634	3,634	-
Miscellaneous	-	-	-
Capital outlay	592	592	-
	<u>24,303</u>	<u>24,303</u>	<u>-</u>
Total Village Buildings & Grounds			
	<u>24,303</u>	<u>24,303</u>	<u>-</u>
Police Department:			
Salaries	67,556	67,556	-
Employee benefits	37,292	37,292	-
Supplies	1,364	1,364	-
Legal fees	4,486	4,486	-
Uniforms and cleaning	1,048	1,048	-
Telephone	1,447	1,447	-
Police car maintenance	1,221	2,221	(1,000)
Equipment maintenance	239	239	-
Gas and oil	3,113	3,113	-
Insurance	8,472	8,472	-
Membership dues	100	100	-
Miscellaneous	140	140	-
Capital outlay	912	912	-
Training and other	921	921	-
	<u>128,311</u>	<u>129,311</u>	<u>(1,000)</u>
Total Police Department			
	<u>128,311</u>	<u>129,311</u>	<u>(1,000)</u>

(Continued)

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Cemetery:			
Salaries	\$ 2,051	\$ 2,051	\$ -
Employee benefits	1,190	1,190	-
Supplies	128	128	-
Contracted service	4,127	4,127	-
Insurance	1,922	1,922	-
Equipment and Repair	1,244	1,244	-
Capital outlay	-	-	-
	<hr/>	<hr/>	<hr/>
Total Cemetery	10,662	10,662	-
	<hr/>	<hr/>	<hr/>
Public Works Department:			
Salaries	37,459	37,459	-
Employee benefits	21,726	21,726	-
Tools and supplies	1,555	1,555	-
Uniforms	1,184	1,184	-
Contracted services	41,635	41,635	-
Holiday decorations	614	614	-
Public relations	-	-	-
Insurance	7,668	7,668	-
Storm drain maintenance	-	-	-
Street lighting	17,723	17,723	-
Sidewalk and parking maintenance	1,721	1,721	-
Tree maintenance	1,050	1,050	-
Seeding/Planting supplies	-	-	-
Radios/Pager	1,260	1,260	-
CDL fees/dues	290	290	-
Water/Sewer fee	3,000	3,000	-
Miscellaneous	312	312	-
	<hr/>	<hr/>	<hr/>
Total Public Works Department	137,197	137,197	-
	<hr/>	<hr/>	<hr/>
Recreation Department:			
Salaries	6,316	6,316	-
Employee benefits	3,482	3,482	-
Supplies	2,290	2,290	-
Contracted services	7,275	7,275	-
Insurance	3,458	3,458	-
Repairs and Maintenance	2,603	2,603	-
Park lighting	3,354	3,354	-
Capital outlay	1,064	1,064	-
	<hr/>	<hr/>	<hr/>
Total Recreation Department	29,842	29,842	-
	<hr/>	<hr/>	<hr/>
(Continued)			

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Equipment Department			
Salaries	\$ 12,750	\$ 12,750	\$ -
Employee benefits	7,395	7,395	-
Tools & supplies	884	884	-
Repairs	4,598	4,598	-
Outside labor and repair	1,682	1,682	-
Gas and oil	4,651	4,651	-
Insurance	2,857	2,857	-
Miscellaneous	17	17	-
Capital outlay	-	-	-
Total Equipment Department	<u>34,834</u>	<u>34,834</u>	<u>-</u>
TOTAL EXPENDITURES	<u>461,940</u>	<u>462,461</u>	<u>(521)</u>
OTHER FINANCING USES:			
Operating transfers out	<u>15,000</u>	<u>15,000</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 476,940</u>	<u>\$ 477,461</u>	<u>\$ (521)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
AMBULANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Ambulance calls	\$ 91,685	\$ 91,685	\$ -
Interest income	1,154	1,154	-
Miscellaneous	<u>17,361</u>	<u>17,363</u>	<u>2</u>
TOTAL REVENUE	<u>110,200</u>	<u>110,202</u>	<u>2</u>
EXPENDITURES:			
Operating Expenses:			
Salaries & wages	28,445	28,445	-
Employee benefits	5,410	5,410	-
Operating supplies	5,246	5,246	-
General fund administrative fee	1,000	1,000	-
Professional fees	8,751	8,751	-
Telephone	371	371	-
Insurance	4,661	4,661	-
Repairs & maintenance	3,764	3,764	-
Advertising	101	101	-
Depreciation	-	8,756	(8,756)
Education & training	812	812	-
Capital outlay	-	-	-
Miscellaneous	<u>19,798</u>	<u>37,563</u>	<u>(17,765)</u>
Total Operating Expenses	<u>78,359</u>	<u>104,880</u>	<u>(26,521)</u>
TOTAL EXPENDITURES	<u>\$ 78,359</u>	<u>\$ 104,880</u>	<u>\$ (26,521)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Water & sewer system sales	\$ 100,263	\$ 100,263	\$ -
Other services, charges & sales	6,136	6,411	275
Special assessments	44,990	44,990	-
Interest & penalties	2,722	2,722	-
Interest income	291	291	-
	<u>154,402</u>	<u>154,677</u>	<u>275</u>
TOTAL REVENUE			
EXPENDITURES:			
Operating Expenses:			
Salaries & wages	15,166	15,166	-
Employee benefits	8,796	8,796	-
Operating supplies	4,678	4,678	-
General fund administrative fee	3,000	3,000	-
Professional fees	11,853	11,853	-
Contracted services	1,452	1,452	-
Telephone	541	541	-
Insurance	8,398	8,398	-
Heat, light & power	8,256	8,256	-
Repairs & maintenance	20,742	20,742	-
Bond interest	7,237	14,579	(7,342)
Depreciation	-	32,148	(32,148)
Equipment rental	5,538	5,538	-
Dues & subscriptions	450	450	-
Education & training	169	28	141
Capital outlay	3,965	3,965	-
Miscellaneous	7,865	7,865	-
Transfer to other funds	10,000	10,000	-
	<u>118,106</u>	<u>157,455</u>	<u>(39,349)</u>
Total Operating Expenses			
TOTAL EXPENDITURES	<u>\$ 118,106</u>	<u>\$ 157,455</u>	<u>\$ (39,349)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
MAJOR STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Routine Maintenance:			
Labor	\$ 1,792	\$ 1,792	\$ -
Employee benefits	1,039	1,039	-
Materials and supplies	1,184	1,184	-
Equipment rental	4,318	4,318	-
	<u>8,333</u>	<u>8,333</u>	<u>-</u>
Total Routine Maintenance			
	<u>8,333</u>	<u>8,333</u>	<u>-</u>
Traffic Maintenance:			
Labor	154	154	-
Employee benefits	89	89	-
Supplies	1,537	1,537	-
Equipment rental	-	-	-
	<u>1,780</u>	<u>1,780</u>	<u>-</u>
Total Traffic Maintenance			
	<u>1,780</u>	<u>1,780</u>	<u>-</u>
Snow & Ice Control:			
Labor	1,858	1,858	-
Employee benefits	1,077	1,077	-
Snow removal supplies	218	218	-
Equipment rental	4,328	4,328	-
	<u>7,481</u>	<u>7,481</u>	<u>-</u>
Total Snow & Ice Control			
	<u>7,481</u>	<u>7,481</u>	<u>-</u>
Administrative:			
Employee benefits	1,160	-	1,160
General fund	2,000	2,000	-
Insurance	4,287	4,287	-
	<u>7,447</u>	<u>6,287</u>	<u>1,160</u>
Total Administrative			
	<u>7,447</u>	<u>6,287</u>	<u>1,160</u>
TOTAL EXPENDITURES	<u>\$ 25,041</u>	<u>\$ 23,881</u>	<u>\$ 1,160</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
LOCAL STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction:			
Labor	\$ -	\$ -	\$ -
Employee benefits	-	-	-
Materials and supplies	59,520	59,520	-
Equipment rental	-	-	-
Total Construction	<u>59,520</u>	<u>59,520</u>	<u>-</u>
Routine Maintenance:			
Labor	2,386	2,386	-
Employee benefits	1,384	1,384	-
Materials and supplies	1,593	1,593	-
Equipment rental	5,656	5,656	-
Total Routine Maintenance	<u>11,019</u>	<u>11,019</u>	<u>-</u>
Traffic Maintenance:			
Labor	140	140	-
Employee benefits	81	81	-
Materials and supplies	592	707	(115)
Equipment rental	-	-	-
Total Traffic Maintenance	<u>813</u>	<u>928</u>	<u>(115)</u>
Snow & Ice Control:			
Labor	953	1,304	(351)
Employee benefits	553	757	(204)
Snow removal supplies	145	345	(200)
Equipment rental	2,191	2,733	(542)
Total Snow & Ice Control	<u>3,842</u>	<u>5,139</u>	<u>(1,297)</u>
Administrative:			
Employee benefits	580	-	580
General fund	1,000	1,000	-
Insurance	5,417	5,417	-
Total Administrative	<u>6,997</u>	<u>6,417</u>	<u>580</u>
TOTAL EXPENDITURES	<u>\$ 82,191</u>	<u>\$ 83,023</u>	<u>\$ (832)</u>

See the accompanying notes.

VILLAGE OF ELKTON
SCHEDULE OF BONDED DEBT
2004 DEBT RETIREMENT FUND
February 28, 2006

PRINCIPAL DUE OCTOBER 1	INTEREST DUE	INTEREST DUE	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
	APRIL 1	OCTOBER 1	FEBRUARY 28	AMOUNT
\$ 35,000	\$ 8,128	\$ 8,128	2007	\$ 51,256
35,000	7,756	7,756	2008	50,512
35,000	7,384	7,384	2009	49,768
40,000	6,960	6,960	2010	53,920
40,000	6,534	6,534	2011	53,068
40,000	6,215	6,215	2012	52,430
40,000	5,791	5,791	2013	51,582
40,000	5,365	5,365	2014	50,730
40,000	4,941	4,941	2015	49,882
45,000	4,462	4,462	2016	53,924
45,000	3,984	3,984	2017	52,968
45,000	3,507	3,507	2018	52,014
45,000	3,028	3,028	2019	51,056
45,000	2,550	2,550	2020	50,100
45,000	2,071	2,071	2021	49,142
50,000	1,594	1,594	2022	53,188
50,000	1,063	1,063	2023	52,126
50,000	531	531	2024	51,062
\$ 765,000	\$ 81,864	\$ 81,864		\$ 928,728

See the accompanying notes.

**VILLAGE OF ELKTON, MICHIGAN
PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF FUNDING PROGRESS

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) - ENTRY AGE</u>	<u>UNFUNDED AAL (UAAL)</u>	<u>FUNDED RATIO</u>
December 31, 2000	473,797	432,074	41,723	109.66%
December 31, 2001	491,009	449,369	41,640	109.27%
December 31, 2002	437,906	422,727	15,179	103.59%
December 31, 2003	445,438	436,586	8,852	102.03%
December 31, 2004	453,870	461,826	(7,956)	98.28%

See the accompanying notes.